

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-08 STR-05 FEA-01
AGRE-00 CEA-01 CIAE-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
/101 W

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P R 181811Z NOV 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 3820

INFO USMISSION GENEVA

C O N F I D E N T I A L LISBON 8934

USMTN

E.O. 11652: GDS

TAGS: ETRD, GATT, MTN, PO

SUBJ: REVIEW OF LOCAL CONTENT REQUIREMENTS

REF: STATE 273301

1. EMBASSY IS AWARE OF LOCAL CONTENT REQUIREMENTS (LCRS) ONLY FOR PASSENGER CARS, COMMERCIAL VEHICLES AND AGRICULTURAL EQUIPMENT ASSEMBLY. THESE REQUIREMENTS ARE SPELLED OUT IN DECREE LAW NO. 157/72 OF MAY 19, 1972.

2. REQUIREMENTS ARE AS FOLLOWS:

A) COMMERCIAL VEHICLES UP TO 3.5 TONS AND PASSENGER CARS - MINIMUM LCR 25 PERCENT; B) COMMERCIAL VEHICLES OVER 3.5 TONS - MINIMUM LCR 20 PERCENT; AND C) AGRICULTURAL EQUIPMENT, E.G., TRACTORS - MINIMUM LCR 20 PERCENT. LCRS ARE APPLICABLE TO AN INDIVIDUAL VEHICLE MODEL RATHER THAN TO A COMPOSITE OF MODELS PRODUCED BY ONE MANUFACTURER. LCR REQUIREMENTS APPLICABLE THROUGH JANUARY 1, 1980, AFTER WHICH IMPORTS OF THE ABOVE VEHICLES AND EQUIPMENT FROM EC AND EFTA ARE TO BE CONFIDENTIAL

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DUTY FREE. IT IS GENERALLY ACCEPTED, HOWEVER, THAT GOP WILL REQUEST AN EXTENSION OF PROTECTION FOR THE INDUSTRY. INCORPORATION OF LOCAL COMPONENTS IN EXCESS OF REQUIRED MINIMUM LEVELS ENTITLES MANUFACTURER TO A PROGRESSIVE DISCOUNT ON VEHICLE IMPORT DUTIES. GM INFORMS US THAT IT IS PRESENTLY ASSEMBLING VEHICLES WITH LOCAL CONTENT OF 1-2 PERCENT ABOVE REQUIRED MINIMUM LEVELS. ITS LOCALLY

PRODUCED VEHICLE COMPONENTS INCLUDE TIRES, BATTERIES, CAR SEATS, EXHAUST SYSTEMS, WINDOW GLASS, MIRRORS, WIRING SYSTEMS. WHEN DOMESTIC PRODUCTION OF THE ABOVE COMPONENTS CANNOT SATISFY MARKET REQUIREMENTS, THERE ARE PROVISIONS FOR WAIVER OF LCRS.

3. COMMERCIAL SIGNIFICANCE: WE BELIEVE LCRS HAVE NO MEANINGFUL IMPACT ON U.S. EXPORTS. LOCAL MANUFACTURERS, INCLUDING U.S. COMPANIES, IMPORT THEIR PARTS FROM VARIOUS EUROPEAN COMPANIES. A MODIFICATION IN REQUIREMENTS WOULD BRING NO SIGNIFICANT INCREASE IN U.S. EXPORTS TO PORTUGAL.

4. IMPORTANCE TO DOMESTIC INDUSTRY: LCRS ARE IMPORTANT TO PORTUGAL'S DEVELOPMENT EFFORTS, PARTICULARLY ITS OBJECTIVE OF INDUSTRIAL DIVERSIFICATION. WITHOUT THIS REQUIREMENT, MANUFACTURERS WOULD LIKELY BUY VERY LITTLE FROM PORTUGAL.

5. GIVEN THE ABOVE, WE DO NOT BELIEVE ANYTHING WOULD BE GAINED BY NEGOTIATING A REDUCTION OR BINDING OF LCRS.
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